

TREYNOR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Treynor Community School District

Officals

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before September 2007 Election)		
Jerry Hempel	President	2007
Joshua Gutttau	Vice President	2007
Neal Anderson	Board Member	2008
Gary Funkhouser	Board Member	2009
Sally Myers	Board Member	2009

(After September 2007 Election)

Joshua Gutttau	President	2010
Jerry Hempel	Vice President	2010
Neal Anderson	Board Member	2008
Gary Funkhouser	Board Member	2009
Sally Myers	Board Member	2009

School Officals

Kevin Elwood	Superintendent	2008
Robert Gronstal	Board Secretary/ District Treasurer	2008
Joe Thornton	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Treyner Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Treyner Community School District, Treyner, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Treyner Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2009 on our consideration of the Treyner Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Treynor Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the prior year, ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Treynor Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,565,377 in fiscal 2007 to 5,058,796 in fiscal 2008, while General Fund expenditures increased from \$4,691,698 in fiscal 2007 to \$5,071,696 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$275,238 in fiscal 2007 to a balance of \$252,338 in fiscal 2008, a 8.32% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the instruction functional area.
- The October 2007 Certified Enrollment count resulted in a decrease of 7.5 students, representing a 1.25% decrease compared to the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Treynor Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Treynor Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Treynor Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Treynor Community School District Annual Financial Report

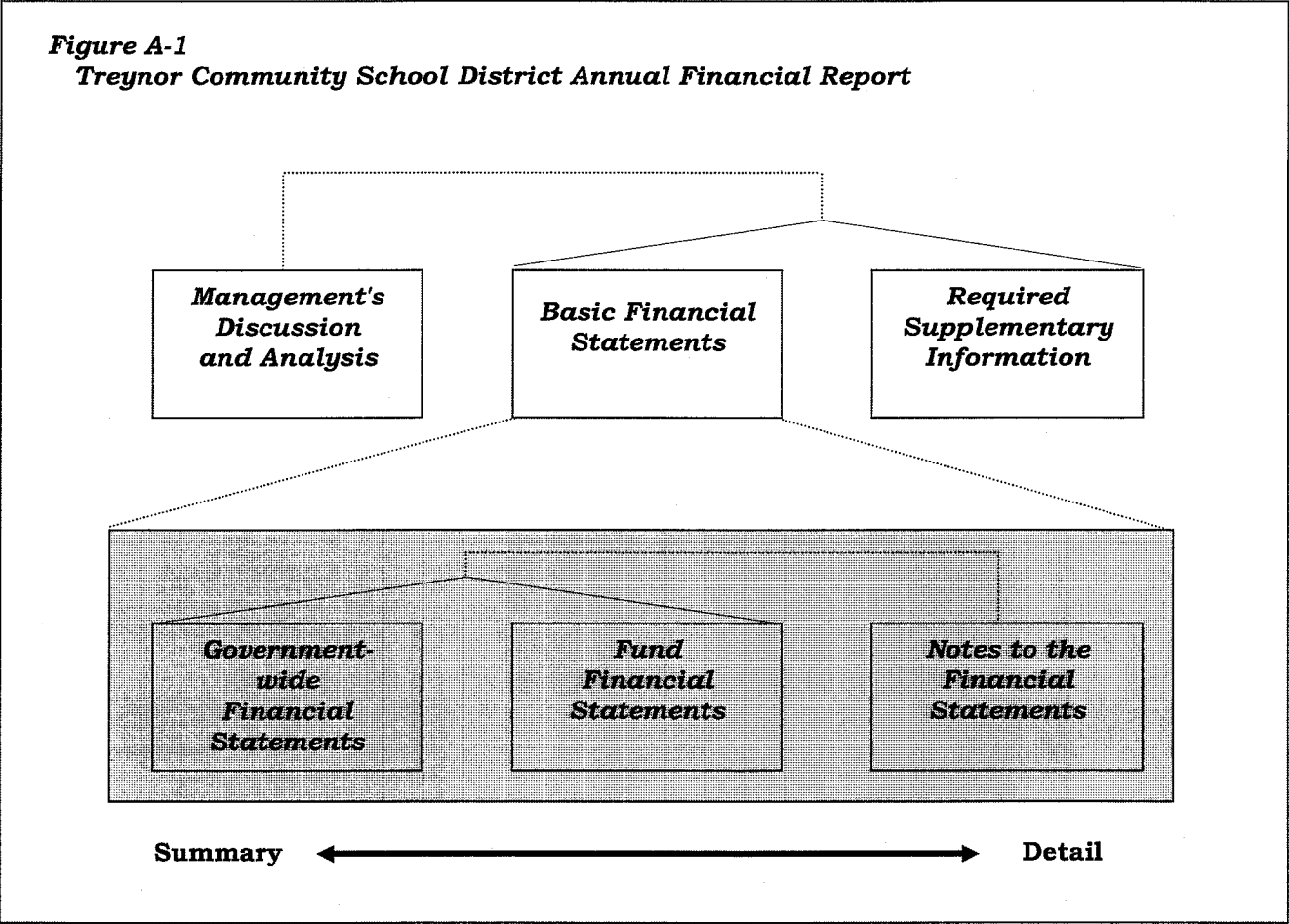


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the

District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund, Debt Service, and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets							
Capital assets	\$ 6,342,966	8,590,094	100,082	78,017	6,443,048	8,668,111	-25.67%
Total assets	10,769,031	7,642,337	138,326	26,182	10,907,357	7,668,519	42.24%
	17,111,997	16,232,431	238,408	104,199	17,350,405	16,336,630	6.21%
Long-term obligations							
Other liabilities	8,379,004	8,794,733	0	0	8,379,004	8,794,733	-4.73%
Total liabilities	3,912,674	2,797,228	25,386	4,614	3,938,060	2,801,842	40.55%
	12,291,678	11,591,961	25,386	4,614	12,317,064	11,596,575	6.21%
Net assets:							
Invested in capital assets, net of related debt	3,596,208	3,416,764	138,326	26,182	3,734,534	3,442,946	8.47%
Restricted	1,093,091	1,014,035	0	0	1,093,091	1,014,035	7.80%
Unrestricted	131,020	209,671	74,696	73,403	205,716	283,074	-27.33%
Total net assets	\$ 4,820,319	4,640,470	213,022	99,585	5,033,341	4,740,055	6.19%

The District's combined net assets increased by 6.19%, or \$293,286, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$79,056, or 7.80% over the prior year. The increase is due to the revenues exceeding expenses, in the Local Option Sales and Services Tax, Capital Projects fund balance.

Unrestricted net assets – are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$77,358, or 27.33%. This decrease in unrestricted net assets was primarily a result the District spending a portion prior year's fund balance to fund increased costs of operation.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,052,623	964,968	225,434	206,562	1,278,057	1,171,530	9.09%
Operating grants and contributions and restricted interest	585,536	481,501	80,326	77,436	665,862	558,937	19.13%
General revenues:							
Property tax	1,902,992	1,795,587	0	0	1,902,992	1,795,587	5.98%
Local option sales and services tax	443,734	412,893	0	0	443,734	412,893	7.47%
Unrestricted state grants	2,196,261	1,972,399	0	0	2,196,261	1,972,399	11.35%
Other	237,916	87,179	143	302	238,059	87,481	172.13%
Transfers	(126,614)	0	126,614	0	0	0	0.00%
Total revenues	6,292,448	5,714,527	432,517	284,300	6,724,965	5,998,827	12.10%
Program expenses:							
Governmental activities:							
Instructional	3,596,851	3,370,661	0	0	3,596,851	3,370,661	6.71%
Support services	1,540,569	1,490,930	0	0	1,540,569	1,490,930	3.33%
Non-instructional programs	161	3,936	319,080	267,195	319,241	271,131	17.74%
Other expenditures	975,018	683,035	0	0	975,018	683,035	42.75%
Total expenses	6,112,599	5,548,562	319,080	267,195	6,431,679	5,815,757	10.59%
Changes in net assets	179,849	165,965	113,437	17,105	293,286	183,070	60.20%
Beginning net assets	4,640,470	4,474,505	99,585	82,480	4,740,055	4,556,985	4.02%
Ending net assets	\$ 4,820,319	4,640,470	213,022	99,585	5,033,341	4,740,055	6.19%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 72.20% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 70.69% of the revenue from business type activities.

The District's total revenues were approximately \$6.7 million of which \$6.3 million was for governmental activities and less than \$0.4 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.10% increase in revenues and a 10.59% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

Governmental Activities

Revenues for governmental activities were \$6,292,448 and expenses were \$6,112,599.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,596,851	3,370,661	6.71%	2,169,605	2,111,267	2.76%
Support services	1,540,569	1,490,930	3.33%	1,524,589	1,477,634	3.18%
Non-instructional programs	161	3,936	-95.91%	161	3,936	-95.91%
Other expenses	975,018	683,035	42.75%	780,085	509,256	53.18%
Totals	<u>\$ 6,112,599</u>	<u>5,548,562</u>	<u>10.17%</u>	<u>4,474,440</u>	<u>4,102,093</u>	<u>9.08%</u>

- The cost financed by users of the District's programs was \$1,052,623.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$585,536.
- The net cost of governmental activities was financed with \$1,902,992 in property tax, \$443,734 in local option sales and services tax, \$2,196,261 in unrestricted state grants, \$223,541 in interest income, and \$14,375 as miscellaneous income.

Business-Type Activities

Revenues of the District's business-type activities were \$432,517 and expenses were \$319,080. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Treynor Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,481,538, below last year's ending fund balances of \$5,830,448. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the activity in the Capital Projects fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2008 increased 10.82%, or \$493,724 as compared to one year ago. However, the expenses rising by 8.10%, or \$379,998, from one year ago ensured the financial position of the General Fund would decline. The General Fund balance decreased \$22,900.
- The Capital Projects Fund balance decreased from \$5,250,459 in fiscal 2007 to \$2,008,762 in fiscal 2008. This is due to progression of the High School Addition construction project during 2008.
- The Debt Service Fund balance decreased from \$61,716 in fiscal 2007 to \$9 in fiscal 2008. The decrease is due to normal debt transactions through the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$99,585 at June 30, 2007 to \$213,022 at June 30, 2008, representing an increase of 113.91%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$160,755 more than budgeted revenues, a variance of 2.45%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008, expenditures in the support services and other expenditure functional areas exceeded the amount budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$10,907,357, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$415,441.

The original cost of the District's capital assets was \$15.1 million. Governmental funds account for \$14.9 million with the remainder of \$0.2 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$3,717,446 at June 30, 2008 compared to \$309,211 reported at June 30, 2007. This increase resulted from the progression of construction on the addition at the high school.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 250,401	250,401	0	0	250,401	250,401	0.00%
Construction in progress	3,717,446	309,211	0	0	3,717,446	309,211	91.68%
Buildings	6,343,110	6,642,956	0	0	6,343,110	6,642,956	-4.73%
Land improvements	173,261	184,686	0	0	173,261	184,686	-6.59%
Machinery and equipment	284,813	255,083	138,326	26,182	423,139	281,265	33.53%
Total	\$ 10,769,031	7,642,337	138,326	26,182	10,907,357	7,668,519	42.24%

Long-Term Debt

At June 30, 2008, the District had \$8,379,004 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 4.73% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$7,695,000 at June 30, 2008.

The District had total outstanding revenue bonded indebtedness of \$670,000 at June 30, 2008.

The District had total outstanding compensated absences payable from the General Fund of \$14,004 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	June 30,	June 30,	Change
	2008	2007	2007-08
General obligation bonds	\$ 7,695,000	7,960,000	-3.33%
Revenue bonds	670,000	825,000	-18.79%
Compensated absences	14,004	9,733	43.88%
Total	\$ 8,379,004	8,794,733	-4.73%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Low allowable growth over several years and enrollment decreases in the past has negatively impacted the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Gronstal, Board Secretary, Treynor Community School District, 102 East Main Street, P.O. Box 369, Treynor, Iowa, 51575.

BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 522,222	0	522,222
Other	3,366,631	74,894	3,441,525
Receivables:			
Property tax:			
Delinquent	10,101	0	10,101
Succeeding year	2,315,705	0	2,315,705
Interfund	(19,491)	19,491	0
Accrued ISCAP interest(Note 5)	198	0	198
Accounts	1,392	180	1,572
Due from other governments	146,208	0	146,208
Inventories	0	5,517	5,517
Capital assets, net of accumulated depreciation(Note 6)	10,769,031	138,326	10,907,357
TOTAL ASSETS	17,111,997	238,408	17,350,405
LIABILITIES			
Accrued interest payable	51,246	0	51,246
Accounts payable	535,343	0	535,343
Salaries and benefits payable	483,344	18,541	501,885
ISCAP warrants payable(Note 5)	518,000	0	518,000
ISCAP interest payable(Note 5)	152	0	152
ISCAP unamortized premiums payable	8,884	0	8,884
Deferred revenue:			
Succeeding year property tax	2,315,705	0	2,315,705
Unearned revenue	0	6,845	6,845
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	280,000	0	280,000
Compensated absences payable	14,004	0	14,004
Portion due after one year:			
General obligation bonds payable	7,415,000	0	7,415,000
Revenue bonds payable	670,000	0	670,000
TOTAL LIABILITIES	12,291,678	25,386	12,317,064
NET ASSETS			
Invested in capital assets, net of related debt	3,596,708	138,326	3,735,034
Restricted for:			
Debt service	9	0	9
Talented and gifted	37,152	0	37,152
Beginning teacher mentoring	64	0	64
Professional development	9,849	0	9,849
Administrative Mentoring	1,500	0	1,500
Market factor	1,646	0	1,646
Market factor incentive	4,271	0	4,271
Transportation aid	866	0	866
Capital projects	816,805	0	816,805
Management levy	8,156	0	8,156
Physical plant and equipment levy	179,713	0	179,713
Other special revenue purposes	32,560	0	32,560
Unrestricted	131,020	74,696	205,716
TOTAL NET ASSETS	\$ 4,820,319	213,022	5,033,341

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,796,431	784,707	344,760	(1,666,964)	0
Special instruction	321,325	73,702	29,953	(217,670)	0
Other instruction	479,095	194,124	0	(284,971)	0
	<u>3,596,851</u>	<u>1,052,533</u>	<u>374,713</u>	<u>(2,169,605)</u>	<u>0</u>
Support services:					
Student services	161,504	0	0	(161,504)	0
Instructional staff services	139,872	0	0	(139,872)	0
Administration services	465,053	0	0	(465,053)	0
Operation and maintenance of plant services	543,938	0	0	(543,938)	0
Transportation services	230,202	90	15,890	(214,222)	0
	<u>1,540,569</u>	<u>90</u>	<u>15,890</u>	<u>(1,524,589)</u>	<u>0</u>
Non-instructional programs	<u>161</u>	<u>0</u>	<u>0</u>	<u>(161)</u>	<u>0</u>
Other expenditures:					
Facilities acquisitions	116,716	0	0	(116,716)	0
Long-term debt interest	352,098	0	0	(352,098)	0
AEA flowthrough	194,933	0	194,933	0	0
Depreciation(unallocated)*	311,271	0	0	(311,271)	0
	<u>975,018</u>	<u>0</u>	<u>194,933</u>	<u>(780,085)</u>	<u>0</u>
Total governmental activities	<u>6,112,599</u>	<u>1,052,623</u>	<u>585,536</u>	<u>(4,474,440)</u>	<u>0</u>
Business-Type activities:					
Support services:					
Operation and maintenance of plant services	0	0	0	0	0
Non-instructional programs:					
Nutrition services	319,080	225,434	80,326	0	(13,320)
Total business-type activities	<u>319,080</u>	<u>225,434</u>	<u>80,326</u>	<u>0</u>	<u>(13,320)</u>
Total	<u>\$ 6,431,679</u>	<u>1,278,057</u>	<u>665,862</u>	<u>(4,474,440)</u>	<u>(13,320)</u>
General Revenues and Transfers:					
General revenues:					
Property tax levied for:					
General purposes				\$ 1,459,617	0
Debt service				394,554	0
Capital outlay				48,821	0
Local option sales and services tax				443,734	0
Unrestricted state grants				2,196,261	0
Unrestricted investment earnings				223,541	143
Other general revenues				14,375	0
Transfers				(126,614)	126,614
Total general revenues and transfers				<u>4,654,289</u>	<u>126,757</u>
Changes in net assets				179,849	113,437
Net assets beginning of year				4,640,470	99,585
Net assets end of year				<u>\$ 4,820,319</u>	<u>213,022</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 522,222	0	0	0	522,222
Other	704,181	2,444,620	0	219,809	3,368,610
Receivables:					
Property tax:					
Delinquent	7,493	0	1,988	620	10,101
Succeeding year	1,641,199	0	543,679	130,827	2,315,705
Accrued ISCAP interest(Note 5)	198	0	0	0	198
Accounts	1,392	0	0	0	1,392
Due from other governments	55,664	90,544	0	0	146,208
TOTAL ASSETS	\$ 2,932,349	2,535,164	545,667	351,256	6,364,436
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants issued in excess of bank balance	\$ 0	0	1,979	0	1,979
Interfund payable	19,491	0	0	0	19,491
Accounts payable	8,941	526,402	0	0	535,343
Salaries and benefits payable	483,344	0	0	0	483,344
ISCAP warrants payable(Note 5)	518,000	0	0	0	518,000
ISCAP interest payable(Note 5)	152	0	0	0	152
ISCAP unamortized premiums payable	8,884	0	0	0	8,884
Deferred revenue:					
Succeeding year property tax	1,641,199	0	543,679	130,827	2,315,705
Total liabilities	2,680,011	526,402	545,658	130,827	3,882,898
Fund balances:					
Reserved for:					
Debt service	0	0	9	0	9
Capital facility construction	0	1,192,677	0	0	1,192,677
Talented and gifted	37,152	0	0	0	37,152
Beginning teacher monitoring	64	0	0	0	64
Professional development	9,849	0	0	0	9,849
Market factor	1,646	0	0	0	1,646
Transportation Aid	866	0	0	0	866
Administrator Mentoring	1,500	0	0	0	1,500
Market Factor Incentives	4,271	0	0	0	4,271
Unreserved:					
General	196,990	0	0	0	196,990
Capital projects	0	816,085	0	0	816,085
Management levy	0	0	0	8,156	8,156
Physical plant and equipment levy	0	0	0	179,713	179,713
Other special revenue purposes	0	0	0	32,560	32,560
Total fund balances	252,338	2,008,762	9	220,429	2,481,538
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,932,349	2,535,164	545,667	351,256	6,364,436

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 2,481,538
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	10,769,031
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(51,246)
Long-term liabilities, including bonds payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(8,379,004)</u>
Net assets of governmental activites (page 13)	<u><u>\$ 4,820,319</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,390,121	443,734	394,554	118,317	2,346,726
Tuition	830,325	0	0	0	830,325
Other	56,811	197,781	340	205,282	460,214
State sources	2,720,222	0	198	60	2,720,480
Federal sources	61,317	0	0	0	61,317
Total revenues	5,058,796	641,515	395,092	323,659	6,419,062
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,754,107	0	0	0	2,754,107
Special instruction	321,325	0	0	0	321,325
Other instruction	289,676	0	0	208,623	498,299
	3,365,108	0	0	208,623	3,573,731
Support services:					
Student services	161,504	0	0	0	161,504
Instructional staff services	139,872	0	0	0	139,872
Administration services	461,938	0	0	0	461,938
Operation and maintenance of plant services	468,194	0	0	70,743	538,937
Transportation services	279,986	0	0	6,911	286,897
	1,511,494	0	0	77,654	1,589,148
Non-instructional programs	161	0	0	0	161
Other expenditures:					
Facilities acquisitions	0	3,581,577	0	69,988	3,651,565
Long-term debt:					
Principal	0	0	420,000	0	420,000
Interest and fiscal charges	0	0	338,434	0	338,434
AEA flowthrough	194,933	0	0	0	194,933
	194,933	3,581,577	758,434	69,988	4,604,932
Total expenditures	5,071,696	3,581,577	758,434	356,265	9,767,972
Deficiency of revenues under expenditures	(12,900)	(2,940,062)	(363,342)	(32,606)	(3,348,910)
OTHER FINANCING SOURCES(USES):					
Transfer in	0	0	301,635	10,000	311,635
Transfer out	(10,000)	(301,635)	0	0	(311,635)
Total other financing sources(uses)	(10,000)	(301,635)	301,635	10,000	0
Net change in fund balances	(22,900)	(3,241,697)	(61,707)	(22,606)	(3,348,910)
Fund balance beginning of year	275,238	5,250,459	61,716	243,035	5,830,448
Fund balance end of year	\$ 252,338	2,008,762	9	220,429	2,481,538

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (3,348,910)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 3,474,403	
Depreciation expense	<u>(347,709)</u>	3,126,694

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments, are as follows:

420,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(13,664)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences payable		<u>(4,271)</u>
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Changes in net assets of governmental activities (page 14)

\$ 179,849

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 74,894
Receivables:	
Interfund	19,491
Due from other governments	180
Inventories	5,517
Capital assets, net of accumulated depreciation(Note 6)	138,326
TOTAL ASSETS	<u>238,408</u>
LIABILITIES	
Salaries and benefits payable	18,541
Unearned revenue	6,845
TOTAL LIABILITIES	<u>25,386</u>
NET ASSETS	
Invested in capital assets	138,326
Unrestricted	74,696
TOTAL NET ASSETS	<u>\$ 213,022</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 225,434
TOTAL OPERATING REVENUES	<u>225,434</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	108,708
Benefits	20,142
Services	7,196
Supplies	167,039
Depreciation	15,708
Other	289
TOTAL OPERATING EXPENSES	<u>319,082</u>
OPERATING LOSS	<u>(93,648)</u>
NON-OPERATING REVENUES:	
State sources	4,481
Federal sources	75,847
Interest income	143
TOTAL NON-OPERATING REVENUES	<u>80,471</u>
Change in net assets before capital contributions	(13,177)
Capital contributions	<u>126,614</u>
Change in net assets	113,437
Net assets beginning of year	<u>99,585</u>
Net assets end of year	<u><u>\$ 213,022</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 225,138
Cash received from miscellaneous sources	2,527
Cash payments to employees for services	(110,309)
Cash payments to suppliers for goods or services	(153,797)
Net cash used in operating activities	<u>(36,441)</u>
Cash flows from non-capital financing activities:	
Borrowings owed General Fund	(19,491)
State grants received	4,481
Federal grants received	55,547
Net cash provided by non-capital financing activities	<u>40,537</u>
Cash flows from capital financing activities:	
Acquisition of assets	<u>(1,238)</u>
Cash flows from investing activities:	
Interest on investments	<u>143</u>
Net increase in cash and cash equivalents	3,001
Cash and cash equivalents at beginning of year	<u>71,893</u>
Cash and cash equivalents at end of year	<u>\$ 74,894</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (93,648)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	20,120
Depreciation	15,708
Decrease in inventories	607
Increase in salaries and benefits payable	18,541
Increase in unearned revenues	2,231
Net cash used in operating activities	<u>\$ (36,441)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 74,894</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$20,120.

During the year ended June 30, 2008, the Nutrition Fund received contributed capital of \$126,614 from the Capital Projects.

SEE NOTES TO BASIC FINANCIAL STATEMENTS

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Treynor Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Treynor, Iowa, and the predominate agricultural territory in Pottawattamie and Mills County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Treynor Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Treynor Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pottawattamie and Mills County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's Non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payments of principal and interest on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-40 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax

receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2008, expenditures in the support service function and other expenditure functional areas exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances;

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 73,004</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investor Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 301,635
Special Revenue, Student Activity	General Fund	<u>10,000</u>
Total		<u>\$ 311,635</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Interfund Receivables and Payables

The detail of the interfund receivables and payables at June 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
School Nutrition	General Fund	<u>\$ 19,491</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal.

for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/08	6/25/09	\$ 522,222	198	518,000	152

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund was noted for the year ended June 30, 2008, is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	300,000	300,000	0

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.448%
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 70,229	127,852	0	198,081
Less accumulated depreciation	44,047	15,708	0	59,755
Business-type activities capital assets, net	\$ 26,182	112,144	0	138,326

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 250,401	0	0	250,401
Construction in progress	309,211	3,408,235	0	3,717,446
Total capital assets not being depreciated	559,612	3,408,235	0	3,967,847
Capital assets being depreciated:		0		
Buildings	9,409,581	0	0	9,409,581
Land improvements	513,006	0	0	513,006
Machinery and equipment	930,251	118,192	52,024	996,419
Total capital assets being depreciated	10,852,838	118,192	52,024	10,919,006
Less accumulated depreciation for:				
Buildings	2,766,625	299,846	0	3,066,471
Land improvements	328,320	11,425	0	339,745
Machinery and equipment	675,168	88,462	52,024	711,606
Total accumulated depreciation	3,770,113	399,733	52,024	4,117,822
Total capital assets being depreciated, net	7,082,725	(281,541)	0	6,801,184
Governmental activities capital assets, net	\$ 7,642,337	3,126,694	0	10,769,031

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 39,974
Other	6,610
Support services:	
Administration	2,950
Operation and maintenance of plant	3,245
Transportation	35,683
	<u>88,462</u>
Unallocated depreciation	<u>311,271</u>
Total governmental activities depreciation expense	<u>\$ 399,733</u>
Business-type activities:	
Food services	\$ 15,708
Total business-type activities depreciation expense	<u>\$ 15,708</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 7,960,000	0	265,000	7,695,000	280,000
Revenue bonds	825,000	0	155,000	670,000	0
Compensated absences	9,733	14,004	9,733	14,004	14,004
Total	<u>\$ 8,794,733</u>	<u>14,004</u>	<u>429,733</u>	<u>8,379,004</u>	<u>294,004</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonds, Fund, are as follows:

Year Ending June 30,	Bond Issue of May 1, 1998			Bond Issue of June 1, 2003		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2009	4.50 %	\$ 225,000	\$ 56,132	2.70 %	\$ 55,000	\$ 65,688
2010	4.50	235,000	46,008	3.05	55,000	64,202
2011	4.55	245,000	35,432	3.15	60,000	62,525
2012	4.60	255,000	24,285	3.25	65,000	60,635
2013	4.65	270,000	12,555	3.35	60,000	58,523
2014-2018	-	-	-	3.65-4.00	1,470,000	142,162
2019-2023	-	-	-	-	-	-
2024-2027	-	-	-	-	-	-
Total		\$ 1,230,000	\$ 174,412		\$ 1,765,000	\$ 453,735

Year Ending June 30,	Bond Issue of June 1, 2007			Total		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2009	3.96 %	\$ -	\$ 185,657	\$ 280,000	\$ 307,477	\$ 587,477
2010	3.96	-	185,657	290,000	295,867	585,867
2011	3.96	-	185,657	305,000	283,614	588,614
2012	3.96	-	185,657	320,000	270,577	590,577
2013	3.96	-	185,657	330,000	256,735	586,735
2014-2018	3.96	385,000	928,290	1,855,000	1,070,452	2,925,452
2019-2023	3.96-4.00	2,195,000	691,422	2,195,000	691,422	2,886,422
2024-2027	4.00	2,120,000	216,600	2,120,000	216,600	2,336,600
Total		\$ 4,700,000	\$ 2,764,597	\$ 7,695,000	\$ 3,392,744	\$ 11,087,744

Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness, which is paid with Local Option Sales and Services Tax reported in the Capital Projects Fund, is as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			
	Interest Rate	Principal	Interest	Total
2009	3.75 %	\$ -	\$ 14,086	\$ 14,086
2010	4.00	160,000	24,972	184,972
2011	4.15	165,000	18,349	183,349
2012	4.25	170,000	11,313	181,313
2013	4.40	175,000	3,850	178,850
Total		\$ 670,000	\$ 72,570	\$ 742,570

The District has pledged future local option sales and services tax revenues to repay the \$670,000, issued on July 1, 2003. The local option sales and services tax revenue bonds were issued

for the purpose of defraying a portion of the cost of school infrastructure and are payable through 2013. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 42.4% of the local option sales and services tax revenues. The total principal and interest remaining to pad on the notes is \$742,570. For the current year, the principal and interest paid on the bonds was \$188,985 and the local option sales and services tax revenues were \$443,734.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) A reserve will be maintained in the amount of \$137,500 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$186,194, \$161,410, and \$148,465 respectively, equal to the required contributions for each year.

(9) Risk Management

The Treynor Community School District is a member in the Iowa School Employees Benefits Association, fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: life and long-term disability.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2008 were \$5,549.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

Treynor Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$194,933 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Construction Commitments

The District entered into various contracts totaling \$4,523,500 for a high school addition project. At June 30, 2008, \$3,717,446 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the project progresses.

(12) Budget Overexpenditure

During the year ended June 30, 2008, expenditures in the support services and other expenditure functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types Actual	Fund Type Actual		Original	Final	
Revenues:						
Local sources	\$ 3,637,265	225,577	3,862,842	3,729,807	3,729,807	133,035
State sources	2,720,480	4,481	2,724,961	2,751,405	2,751,405	(26,444)
Federal sources	61,317	75,847	137,164	83,000	83,000	54,164
Total revenues	6,419,062	305,905	6,724,967	6,564,212	6,564,212	160,755
Expenditures:						
Instruction	3,573,731	0	3,573,731	4,480,750	4,480,750	907,019
Support services	1,589,148	0	1,589,148	1,490,006	1,490,006	(99,142)
Non-instructional programs	161	319,082	319,243	329,879	329,879	10,636
Other expenditures	4,604,932	0	4,604,932	4,007,127	4,007,127	(597,805)
Total expenditures	9,767,972	319,082	10,087,054	10,307,762	10,307,762	220,708
Excess(deficiency) of revenues over(under) expenditures	(3,348,910)	(13,177)	(3,362,087)	(3,743,550)	(3,743,550)	381,463
Other financing sources, net	0	126,614	(126,614)	0	0	(126,614)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(3,348,910)	113,437	(3,488,701)	(3,743,550)	(3,743,550)	254,849
Balance beginning of year	5,830,448	99,585	5,930,033	5,980,379	5,980,379	(50,346)
Balance end of year	\$ 2,481,538	213,022	2,441,332	2,236,829	2,236,829	204,503

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the support services and other expenditure functional areas exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

Nonmajor Special Revenue Funds				
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 7,782	32,560	179,467	219,809
Receivables:				
Property tax				
Delinquent	374	0	246	620
Succeeding year	77,000	0	53,827	130,827
TOTAL ASSETS	\$ 85,156	32,560	233,540	351,256
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 77,000	0	53,827	130,827
	77,000	0	53,827	130,827
Fund balances:				
Unreserved, undesignated	8,156	32,560	179,713	220,429
TOTAL LIABILITIES AND FUND BALANCES	\$ 85,156	32,560	233,540	351,256

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds			Total
	Manage- ment Levy	Activity	Physical Plant and Equipment Levy	Nonmajor Special Revenue Funds
REVENUES:				
Local sources:				
Local tax	\$ 69,496	0	48,821	118,317
Other	9,878	192,258	3,146	205,282
State sources	36	0	24	60
TOTAL REVENUES	79,410	192,258	51,991	323,659
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	0	208,623	0	208,623
Support services:				
Operation and maintenance of plant services	70,743	0	0	70,743
Transportation services	6,911	0	0	6,911
Other expenditures:				
Facilities acquisitions	0	0	69,988	69,988
TOTAL EXPENDITURES	77,654	208,623	69,988	356,265
Excess(deficiency) of revenues over(under) expenditures	1,756	(16,365)	(17,997)	(32,606)
OTHER FINANCING SOURCES:				
Transfer in	0	10,000	0	10,000
Excess(deficiency) of revenues and other financing sources over (under) expenditures	1,756	(6,365)	(17,997)	(22,606)
FUND BALANCE BEGINNING OF YEAR	6,400	38,925	197,710	243,035
FUND BALANCE END OF YEAR	\$ 8,156	32,560	179,713	220,429

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	10	29	0	39
Drama/Speech	\$ 10	3,042	3,009	43
Instrumental	10	36,038	35,948	100
Vocal	10	5,199	4,630	579
Basketball	2,000	19,237	19,244	1,993
Football	3,970	21,399	22,583	2,786
Baseball/Softball	1,475	9,965	11,340	100
Track	925	6,654	5,355	2,224
Golf	750	748	1,488	10
Wrestling	500	9,167	9,567	100
Volleyball	1,000	7,798	6,933	1,865
Jr - Sr High	0	2,034	0	2,034
Class of 2004	187	0	0	187
Class of 2005	10	0	0	10
Class of 2006	126	0	0	126
Class of 2008	1,151	0	1,107	44
Class of 2009	0	15,967	13,542	2,425
Student Council	317	6,497	6,764	50
FHA	20	0	0	20
Science Club	0	96	86	10
National Honor Society	10	480	480	10
Book Club	0	1,270	1,170	100
Cheerleaders	3,190	9,878	8,162	4,906
Elementary (Student Leader)	14,076	23,624	28,466	9,234
Junior High Leadership	107	705	673	139
Assemblies	400	1,527	1,927	0
Yearbook	3,473	11,747	15,210	10
Drill Team	5,198	6,419	8,716	2,901
Teachers Pop Fund	0	28	0	28
Miscellaneous Fund Balance	0	2,710	2,223	487
Total	\$ 38,925	202,258	208,623	32,560

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2008

	Capital Project Funds		
	GO Bond Construction	Local Option Sales and Services Tax	Total Capital Projects
ASSETS			
Cash and pooled investments	\$ 1,719,079	725,541	2,444,620
Due from other governments	0	90,544	90,544
TOTAL ASSETS	<u>\$ 1,719,079</u>	<u>816,085</u>	<u>2,535,164</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 526,402	0	526,402
Total liabilities	<u>526,402</u>	<u>0</u>	<u>526,402</u>
Fund balances:			
Reserved:			
Capital facility construction	1,192,677	0	1,192,677
Unreserved	0	816,085	816,085
Total fund balances	<u>1,192,677</u>	<u>816,085</u>	<u>2,008,762</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,719,079</u>	<u>816,085</u>	<u>2,535,164</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

TREYNOR COMMUNITY SCHOOLS DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2008

	Capital Project Funds		
	GO	Local Option	Total
	Bond	Sales and	Capital
	Construction	Services Tax	Projects
REVENUES:			
Local tax	\$ 0	443,734	443,734
Accrued interest receivable	0	0	0
Other	193,693	4,089	197,782
TOTAL ASSETS	<u>\$ 193,693</u>	<u>447,823</u>	<u>641,516</u>
EXPENDITURES:			
Other expenditures:			
Facilities acquisitions	\$ 3,560,443	21,135	3,581,578
Total expenditures	<u>3,560,443</u>	<u>21,135</u>	<u>3,581,578</u>
OTHER FINANCING USES:			
Transfers out	0	(301,635)	(301,635)
Net change in fund balances	(3,366,750)	125,053	(3,241,697)
Fund balance beginning year	4,559,427	691,032	5,250,459
Fund balance end of year	<u>\$ 1,192,677</u>	<u>816,085</u>	<u>2,008,762</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR REPORT

TREYNOR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

		Modified Accrual Basis				
		Years Ended June 30,				
		2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$	2,346,726	2,208,480	2,033,246	1,928,566	1,937,575
Tuition		830,325	762,074	726,360	598,465	512,865
Other		460,214	290,073	260,551	271,575	298,695
State sources		2,720,480	2,376,572	2,204,865	2,110,861	1,926,400
Federal sources		61,317	77,328	81,748	115,777	67,217
Total	\$	6,419,062	5,714,527	5,306,770	5,025,244	4,742,752
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$	2,754,107	2,563,608	2,254,870	2,158,717	1,970,457
Special instruction		321,325	337,545	284,127	241,717	269,001
Other instruction		498,299	423,344	410,782	362,745	374,006
Support services:						
Student services		161,504	93,121	89,597	85,197	82,558
Instructional staff services		139,872	141,035	122,009	113,293	59,035
Administration services		461,938	466,336	424,463	397,420	371,509
Operation and maintenance of plant services		538,937	505,544	485,050	391,884	365,371
Transportation services		286,897	229,251	218,758	200,794	191,367
Central support services		0	0	0	59,216	3,341
Non-instructional programs		161	3,936	15,388	0	3,300
Other expenditures:						
Facilities acquisitions		3,651,565	448,353	188,977	1,250,078	2,310,809
Long-term debt:						
Principal		420,000	400,000	520,000	360,000	220,000
Interest and fiscal charges		338,434	252,160	231,407	236,071	170,619
AEA flow-through		194,933	173,779	157,752	151,671	144,976
Total	\$	9,767,972	6,038,012	5,403,180	6,008,803	6,536,349

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

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(a professional corporation)

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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Treyner Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Treyner Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Treyner Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Treyner Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Treyner Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Treyner Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Treyner Community School District's financial statements that is more than inconsequential will not be prevented or detected by Treyner Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Treyner Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Treynor Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Treynor Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Treynor Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Treynor Community School District and other parties to whom Treynor Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Treynor Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2009

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the bank reconciliation, bank deposits, posting of cash receipts to the cash receipts journal and the recording, preparing and signing of checks are all being done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to seek practical alternatives and implement them wherever possible.

Conclusion - Response accepted.

- I-B-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects

We also noted during our audit that the quarterly reports for the Drug Free Program are not being filed timely. As a result, subsequent funding was not received.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures. The district should monitor timelines for grants to ensure that quarterly reports are filed timely and therefore grant revenues are received for the programs.

Response - We will be more diligent in timeliness of reports and coding of grant expenditures.

Conclusion - Response accepted.

- I-C-08 Cell Phone Allowance - We noted during our audit that the District was paying a flat monthly dollar allowance for cell phones for some employees. We also noted that the District hasn't implemented a cell phone policy

Recommendation - Employees that receive allowances in conjunction with an unaccountable plan should have the allowance added to payroll with the appropriate taxes withheld. The policy should address the issues and requirements for employees who will utilize district owned cell phones or who receive a dollar allowance for their personal cell phones.

Response - These were addressed in the Board minutes and appropriate policies will be instituted as suggested. These allowances will either be supported with receipted expenditures or handled as payroll items.

Conclusion -Response accepted.

- I-D-08 Authorized Check Signatures - We noted during the audit, instances of unauthorized signatures on the District's checks. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks issued. Also, pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in her absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapters 291.1 and 291.8 of the Code of Iowa.

Response - We will be more diligent in complying with properly authorized signatures.

Conclusion - Response accepted.

- I-E-08 Gate Admissions - It was noted that the District does not use pre-numbered tickets for all events that requires an admission.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.

i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.

j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - We are continuing to implement appropriate procedures as required.

Conclusion - Response accepted.

I-F-08 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks. Wages received from officiating needs to be on the employee's W-2's and should be reported on the District's payroll reports.

Response - Our Activities Director will maintain a list of hours worked by non-certified staff coaches.

Conclusion - Response accepted.

I-G-08 Employee Compensation - We noted that wages paid to District employees for officiating were not added to the District employees W-2's or the District's 941's.

Recommendation - Wages paid to employees for officiating should be included on the Employee's W-2's and should be reported on the District's payroll reports.

Response - Any employees who also function as officials are considered independent contractors.

Conclusion - It continues to be the position of the Department of Education, the State Auditor's Office, that additional payments to employees of a District, who provide additional services to the District should be handled through the District's regular payroll processes and reported as wages on the Employee's W-2's. If the District believes that as they state that employees are sub-contractors, the District should have the individuals complete IRS Form SS-8. Without this documentation, the District should include additional wages paid on the Employee's W-2.

I-H-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Per Chapter 9 of the LEA Financial Accounting Manual, "The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.8)."

Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the co-curricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

The District receives money for the use of facilities when they are hosting district and regional events. Currently, the District's practice is to receipt rents for hosting district and regional events into the Activity Fund. Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. In the future, the District should receipt rent collected for facility usage into the General Fund.

Currently, donations from Target and Box Tops are recorded in the Elementary account in the Student Activity Fund. Target and Box Top donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

There is a Class of 2004, Class of 2005 and a Class of 2006 in the Student Activity Fund. Past graduating class accounts should be inactive accounts and should be closed and allocated to the other activity accounts.

There are pop accounts for the various building in the District. These accounts appear to be administratively run and should not be contained within the Activity Fund. The accounts appear to be more appropriate in the General Fund.

The District writes various checks throughout the year for start up cash at the gate for District events. It was noted that checks were being written to "Cash" instead of the custodian/sponsor for these events. Checks made out to "Cash" are barer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

The Miscellaneous Fund Balance account awards scholarships from proceeds from donations and miscellaneous receipts generated by the Student Activity Fund during the year. When donations are received by the District the revenues should be recorded in the fund that may legally pay for the purpose of the donation. Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship donations should be placed and expended from the Private Purpose Trust Fund.

Response - (a) Facility usage and rentals, will be receipted into the General Fund. (b) Donations received from such sources as Target and Box Tops will be receipted into the General Fund and expenditures from these sources will be determined by the District's Board of Directors and will be subsequently noted in the Districts Board minutes. (c) The 2004, 2005, 2006 Class Fund balances and any other future inactive have been closed and transferred to other activity accounts. (d)The "Pop" accounts have been closed and transferred to the General Fund. (e) Checks now being written for start up cash are now made payable to the individual responsible for the appropriate activity. (f) Donations received for scholarships will placed in and expenditures made through Private Purpose Trust Funds.

Conclusion Response Accepted.

I-I-08 Supporting Documents for Meal Reimbursement - It was noted during the audit, an instance where a meal reimbursement was made to an employee. The support document was a credit card receipt which, did not provide detail of the purchase. The District requires detailed receipts for reimbursement, however, reimbursement occurred without any detailed documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users need to provide detailed receipts for purchases made. The District should review their procedures in place with personnel to ensure that the proper detailed documentation will be available with paid meal reimbursements.

Response - Our policy is to require appropriate receipts for meal reimbursements. We will ensure that this is closely followed.

Conclusion - Response accepted.

I-J-08 Board Policies - We noted during our audit the District has not implemented a capital asset policy. The District should implement a policy that addresses the dollar capitalization threshold and years to depreciate assets over. The policy should also address that the District should keep track of assets over \$500 for insurance purposes.

Recommendation - The District should review their board policies in place and update or implement the necessary policies.

Response - These were addressed in the Board minutes and appropriate policies will be instituted as suggested.

Conclusion - Response accepted.

I-K-08 Purchase Orders - We noted during our audit that District did use purchase orders, sometimes the purchase were completed after the product had been ordered.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted, prior to the ordering of the item. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial statements as an outstanding order, which represents the amount of obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore, allowing the person who approves the purchase orders, the insight to know, if there is still available funding to make purchases.

Although, Districts are not required to use a purchase order system, the benefits to financial management make the system, desirable. The District's current purchase order system should be reviewed and make the necessary changes, so that all disbursements are approved by the appropriate administrator before the ordering of supplies takes place.

Response - Normally, purchase orders are used for all purchases. We will insist that purchase orders be fully utilized.

Conclusion - Response accepted.

I-L-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - We will contact our bank depository in order to obtain the required documentation.

Conclusion - Response accepted.

- I-M-08 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. There were no adjustments in the Nutrition Fund made for the changes in inventories, capital assets, student lunch account balances or commodities received.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - We will ensure appropriate training measures are implemented.

Conclusion - Response accepted.

- I-N-08 Exclusive Vendor Contract - We noted during the audit that within the Student Activity Fund, there was revenue received from an exclusive vendor contract with Coca Cola.

Recommendation - According to guidance provided by the Iowa Department of Education, the State Auditor, and the Attorney General's Opinion, dated, February 15, 2000, the exclusive vendor contract is allowable, but the revenue from the exclusive vendor contract must be recorded only in the District's General Fund. Under Dillon's Rule, there is no statutory requirement or authority to record revenue in another fund, other than the General Fund.

Once, the exclusive vendor contract revenues are recorded in the General Fund, they can be subsequently spent for purposes including athletics or other extra-curricular activities to the extent the expenditure would be allowable and appropriate from the General Fund.

Response - These revenues will be recorded in the General Fund.

Conclusion - Response accepted.

TREYNOR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the support services and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will be more diligent in monitoring the budget to see if any amendments are needed.

Conclusion - Response accepted.

- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. However, we noted an instance in June 2008 where the District paid 48 ½ cents per mile for mileage reimbursement. Board Policy 408.1, states that the District will reimburse employees at the federal reimbursement rate, which was at 50 ½ cents per mile through June 2008.

Recommendation - The District needs to review their travel reimbursement policy to ensure that they are paying the correct mileage reimbursement rates to their employees.

Response - The mileage reimbursement rate changed from 48.5 to 50.5 and was inadvertently overlooked. We will monitor these rates more closely in the future.

Conclusion - Response accepted.

- II-D-08 Business Transactions - Business transactions between the District and District Officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Neal Anderson, Board Member Owns Hawkeye State Construction	Purchased services	\$3,575
Gary Funkhouser, Board Member and Substitute Teacher	Substitute teaching	\$1,665
Gary Funkhouser, Board Member Spouse is a Substitute Teacher	Substitute teaching	\$180
Joshua Gutttau, Board Member Spouse is a Substitute Teacher	Substitute teaching	\$135
Mike Travis, 6th Grade Teacher Owns Travis Turf	Grounds maintenance	\$2,651

In accordance with Attorney's General Opinion dated July 2, 1990, the above transactions with Mike Travis does not appear to represent a conflict of interest.

In accordance with Attorney's General Opinion dated November 9, 1976, the above transactions with the Board Member spouses do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Gary Funkhouser does not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with Neal Anderson, does appear to represent a conflict of interest. The District paid Neil Anderson, Board Member, who owns Hawkeye Construction the amount of \$3,575.

Recommendation - When transactions involving a conflict of interest should arise. The District should consult legal counsel concerning the transaction.

Response - We will consult legal counsel in these matters.

Conclusion - Response accepted.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students in the district was overstated by 1.1 students on line 1, which resulted in overstating the total actual enrollment on line 7 by 1.1 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The Iowa Department of Education has been contacted in this matter.

Conclusion - Response accepted.

- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.